

Message Text

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PAGE 01 STATE 135930
ORIGIN XMB-04

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EUR/EE:SFROMOWITZ
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-----003578 270443Z /12

O 270408Z MAY 78 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE NIACT IMMEDIATE

UNCLAS STATE 135930

E.O. 11652:N/A

TAGS: EFIN, US, YO

SUBJECT: EXIMBANK OPERATING ARRANGEMENTS

1. EXIMBANK BOARD APPROVED MAY 25 ARRANGEMENTS WORKED
OUT BY EXIMBANK TEAM WITH SECRETARIAT FOR FINANCE,
NATIONAL BANK AND YUGOSLAV BANKS. IN ADDITION
WARREN GLICK, EXIMBANK GENERAL COUNSEL, SIGNED AND SENT
FOLLOWING LETTER TO JOZEF KOROSSEC, VICE GOVERNOR OF
NATIONAL BANK:

ON PAGE 63 OF THE PAMPHLET ENTITLED "FINANCIAL INSTITUTIONS
IN YUGOSLAVIA" THE FOLLOWING STATEMENT APPEARS:

"IF A YUGOSLAV BANK FAILS TO SETTLE ITS OBLIGATIONS
STEMMING FROM A CREDIT OBTAINED ABROAD BY THE DATE OF
ITS MATURITY, THE NATIONAL BANK OF YUGOSLAVIA WILL ORDER
UNCLASSIFIED

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PAGE 02 STATE 135930

THE SOCIAL ACCOUNTANCY SERVICE TO TRANSFER FROM THE DRAW-
ING AND OTHER ACCOUNTS OF THE BANKS INVOLVED THE DINAR
COUNTERVALUE OF THE OBLIGATION DUE IN FAVOR OF THE
NATIONAL BANK OF YUGOSLAVIA. IN THIS CASE THE CLAIM OF
THE FOREIGN CREDITOR IS SETTLED BY THE NATIONAL BANK OF
YUGOSLAVIA."

IT WOULD BE GREATLY APPRECIATED IF YOU COULD CITE THE STATUTORY AUTHORITY FOR SUCH STATEMENT AND THE EXACT TEXT, AS WELL AS CLARIFY THE MEANING OF SUCH AUTHORITY, IN PARTICULAR, THE EVENTS WHICH WOULD LEAD TO ACTION BY THE NATIONAL BANK OF YUGOSLAVIA UNDER SUCH AUTHORITY. FOR EXAMPLE, EXIMBANK IS INTERESTED IN ANSWERS TO THE FOLLOWING THEORETICAL QUESTIONS. FIRST, IN THE EVENT THAT A YUGOSLAV BANK WHICH IS AUTHORIZED TO INCUR FOREIGN INDEBTEDNESS AND TO DO BUSINESS IN A FOREIGN COUNTRY HAS BEEN CALLED UPON TO MAKE PAYMENT AS GUARANTOR UNDER A CREDIT AGREEMENT WITH EXIMBANK AND FAILS TO PAY, WILL THE NATIONAL BANK OF YUGOSLAVIA AUTOMATICALLY PAY THE FULL AMOUNT DUE IN DOLLARS AND THEN DEBIT THE ACCOUNTS OF THE BANK (OR ITS FOUNDERS) FOR THE EQUIVALENT DINAR AMOUNT? SECOND, IF THE SAME SITUATION OCCURS BUT THE BANK (AND ITS FOUNDERS) DO NOT POSSESS SUFFICIENT DINARS, WILL THE NATIONAL BANK NEVERTHELESS STILL AUTOMATICALLY PAY EXIMBANK THE FULL AMOUNT DUE IN DOLLARS AND PERHAPS PUT IN A CLAIM FOR THE DINARS AS THE BANK'S ACCOUNTS ARE REPLENISHED?

2. EXIMBANK REQUESTS EMBASSY TO NOTIFY KOROSSEC OF IMMINENT ARRIVAL OF LETTER AND TO REITERATE THAT GLICK EXPECTS TO RECEIVE WRITTEN REPLY WHEN HE IS IN BELGRADE JUNE 6-7.

3. EXIMBANK IS PREPARING MOORE LETTER TO BE SIGNED AND UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 135930

EXCHANGED WHEN HE IS IN BELGRADE WITH LETTERS WHICH EXIMBANK EXPECTS SECRETARIAT FOR FINANCE AND NATIONAL BANK OF YUGOSLAVIA ARE PREPARING WITH TEXTS AGREED UPON WITH EXIMBANK TEAM. OPERATING AGREEMENT WITH BANKS WILL ALSO BE PREPARED IN FINAL FORM BY EXIMBANK, AS SOON AS CONFIRMATION IS RECEIVED THAT ALL YUGOSLAV BANKS HAVE APPROVED TEXT WORKED OUT BY EXIMBANK, BEOGRADSKA BANKA AND JUGOBANKA. EMBASSY IS REQUESTED TO ADVISE BY IMMEDIATE TELEGRAM AS SOON AS BANK CONFIRMATIONS ARE RECEIVED AND TO REPORT SPECIFIC FORMAL NAMES WHICH EACH INDIVIDUAL BANK WISHES TO BE USED IN THE AGREEMENT.

4. AS PREVIOUSLY AGREED ALBRIGHT WILL BE CARRYING FINAL TEXTS PREPARED BY EXIMBANK FOR DELIVERY TO EMBASSY OFFICER AT BELGRADE AIRPORT ON SATURDAY JUNE 3 DURING TRANSIT STOP EN ROUTE TO DUBROVNIK (ARRIVES BE704 AT 1545 AND DEPARTS JAT416 AT 16253). STOJILKOVIC WISHED TO HAVE THESE TEXTS FOR REVIEW BEFORE EXCHANGE AND SIGNING PLANNED FOR TUESDAY JUNE 6.

5. AS PER AMBASSADOR'S TELEPHONE CONVERSATION TO ALBRIGHT OF MAY 26, TEXTS OF JUGOBANKA TELEX AND EXIMBANK

RESPONSE ARE SET FORTH BELOW (AS RECEIVED):

RE: OPERATING AGREEMENT TO BE CONCLUDED BY AND AMONG
YUGOSLAV BANKS AND EXIMBANK, WASHINGTON

WITH REFERENCE TO THE DRAFT OPEAEE OPERATIONEEE OPERAT-
ING AGREEMENT WHICH YOU SUBMITTED TO US AT OUR LAST
MEETING ON MAY 18, 1978, DURING YOUR VISIT TO BELGRADE,
THE WORKING GROUPEE GROUP AUTHORIZED BY YUGOSLAV BANKS
PARTIES TO THE OPERATING AGREEMENT TO DISCUSS THE AGREE-
MENT WITH YOU, HAS, IN THE MEANTIME, REPORTED TO THEM THE
RESULTES OF DISCUSSIONS HELD WITH YOU AND FIEE FURNISHED
YUGOSLAV ABEE ANKEE BANKS CONCERNED WITH A COPY OF MAY 18,
1978 DRAFT OF OPERATING AGREEMENT. YUGOSLAV ANEE BANKS -
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 135930

PARTIES TO OPERATING AGREEMENT HAVE AGREED TO PROPOSED
DAEE DRAFT AGREEMENT. THEY HAVE ALSO UNDERTAKEN
NECESSARY STEPS WITH RESPECT TO ESTABLISHING A WORKING
GROUP CONSISTING OF EXPERTS FOR PEREEE PREPARING A
UNIFORM METOEE METHODOLOGY FOR PRESENTATION OF DATA AS
REQUIRED BY ANNEX A TO OPERATING AGREEMENT. IT GOES
WITHOUT SAYING THAT SUCH WORK OF WORKING GROUP WILL TAKE
SOME TIME.

IN VIEW OF THE ABOVE AND IN AND EFFORT TO ENABLE SIGNING
OF OPERATING AGREEMENT AS SOON AS PRACTICABLE/HOPEFULLY
DURING THE STAY OF YOUR PRESIDENT IN DUBROVNIK NESTEE
NEXT JUNE/WE PROPOSE THAT IN ANNEX A THE FOLLOWING NOTE
BE ADDED.:

"FINANCIAL DATA GENERAL INFORMATION NEEDS AS PER THIS
ANNEX A CONSTITUTE AN INDICATION FOR GUARANTORS NUTUALLY
TO DETERMINE AND WORK OT THE CONTENTS THEREOF AND A
METOEE METHODOLOGY ACCORDING TO WHICH THE GUARANTORS SHALL
UNIFORMLY PRESENT FINANCIAL DATA"

WE DO BELIEVE THAT THE ABOVE PROPOSAL IS ACCEPTABLE TO YOU
AND WOULD GREATLY APPRECIATE YOUR APPROVAL OF THE
SUGGESTED INSERTION SO THTEE THAT BANKS-PARTIES TO
OPERATING AGREEMENT MAY PROCEED FURTHER TOWARDS OBTAINING
C NECESSARY AUTHORIZATIONS FOR ACCEPTANCE AND SINEE
SIGNATURE OF OPERATING AGREEMENT.

PLEASE, SEND BY TELEX YOUR APPROVAL OF THE ABOVE AT YOUR
EARLIEST CONVENIENCE TO ASSOCIATION OF
YUGOSLAV BANKS, BELGRADE TELEX NO 11767 YU UDBAJ,
ATTENTION OF MR. I. STEFANOVIC, SENIOR ADVISOR, WITH A
COPY TO US, OUR TELEX 11145, ATT. MR. P. ILIC CHIEF
MANAGER.

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UNCLASSIFIED

PAGE 05 STATE 135930

YOUR COOPERATION WILL BE GREATLY APPRECIATED.
FOR ACCOUNT AND ON BEHALF OF UDRUZENA BEOGRADSKA BANKA
AND STOPANSKA BANKA

JUGOBANKA UNITED BANK Z

ASSOCIATION OF YUGOSLAV BANKS
BELGRADE, YUGOSLAVIA

COPIES TO:
JUGOBANKA
UDRUZENA BEOGRADSKA BANKA
STOPANSKA BANKA

REF. JUGOBANKA TELEX OF MAY 26, 1978, EXIMBANK WELCOMES
ORGANIZATION OF WORKING GROUP TO PREPARE DATA REQUIRED
BY ANNEX A. PLEASE INFORM EACH BANK THAT EXIMBANK WILL
BE PREPARED TO WORK WITH WORKING GROUP OR BANKS ON
INDIVIDUAL BASIS TO ARRIVE AT PRESENTATION IN SATIS-
FACTORY FORM OF DATA REQUIRED BY ANNEX A. EXIMBANK'S
POSITION ON ANNEX A ITSELF IS THAT WORDING SHOULD REMAIN
UNCHANGED. FOR YOUR INFORMATION, FINANCIAL REPORTING
PROVISIONS OF OPERATING AGREEMENT WERE KEY FACTOR LEADING
EXIMBANK BOARD OF DIRECTORS TO ACCEPT PROCEDURAL
ARRANGEMENTS WORKED OUT BETWEEN EXIMBANK TEAM AND
YUGOSLAV BANKS ON MAY 15-19 IN BELGRADE. THUS,
EXIMBANK BOARD WOULD NOT REACT FAVORABLY TO ANY
SUGGESTION TO ANY CHANGE IN WORDING OF ANNEX A.

EXIMBANK BELIEVES THAT IMPLEMENTATION OF ANNEX A ON THIS
BASIS CAN PROCEED WITHOUT DIFFICULTY AND ACCORDINGLY, IS
CONTINUING ON ASSUMPTION THAT OPERATING AGREEMENT
WILL BE SIGNED BY ALL PARTIES IN BELGRADE ON JUNE 6.
A COPY OF JUGOBANKS TELEX OF MAY 26 AND THIS TELEX ARE
BEING SENT TO AMEMBASSY, BELGRADE TO KEEP THEM UP TO DATE
ON STATUS OF PROPOSED EXIMBANK-YUGOSLAV OPERATING
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PAGE 06 STATE 135930

ARRANGEMENTS. EXIMBANK WOULD APPRECIATE YOU ALSO
KEEPING EMBASSY DIRECTLY INFORMED.

6. WITH FURTHER REFERENCE TO YOUR MAY 26 PHONE CALL
EXIMBANK IS IN COMPLETE AGREEMENT THAT YUGOSLAV ARRANGE-
MENTS FORM SINGLE PACKAGE AND THAT NO DOCUMENT SHOULD
BE SIGNED, UNLESS ALL OTHER DOCUMENTS ARE SIGNED AS WELL.

EXIMBANK FURTHER AGREES WITH YOUR SUGGESTION THAT THIS
POINT BE EMPHASIZED TO APPROPRIATE YUGOSLAV GOVERNMENT
OFFICIALS. VANCE

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Drafter: GC S.G. GLAZER/KET
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Status: NATIVE
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TAGS: EFIN, US, YO, XMB
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